

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6381**

**BILL NUMBER:** HB 1163

**NOTE PREPARED:** Nov 23, 2004

**BILL AMENDED:**

**SUBJECT:** Higher Education Scholarship Program.

**FIRST AUTHOR:** Rep. Messer

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Higher Education Scholarship Program to provide a \$250 per semester or \$2,000 lifetime scholarship for undergraduate study to individuals who: (1) are Indiana residents for at least two years; and (2) attend Indiana institutions of higher education, including proprietary institutions, for at least 12 hours per semester. It requires the transfer of funds from the Build Indiana Fund to pay for the scholarships. The bill requires the State Student Assistance Commission to administer the program.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** Funding for the Scholarship Program could potentially total \$63.6 M annually beginning in FY 2006. The bill requires the Lottery Commission to make a quarterly transfer of surplus Lottery revenue to the State Student Assistance Commission of Indiana (SSACI) to fund scholarships under the Higher Education Scholarship Program. The bill requires the quarterly transfer to begin in FY 2006. The quarterly transfer must equal the total dollar amount of scholarships awarded under the program during the prior three months. The quarterly transfer to the SSACI would be made subsequent to transfers required under current statute to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF).

The State Student Assistance Commission would probably need additional funding to administer the program. The impact would depend on how much verification is done by the university and how much by the state.

This transfer of Lottery funds will also have a secondary impact creating a shift of \$63.6 M annually in Riverboat Wagering Tax revenue from the Property Tax Replacement Fund (PTRF) to the Build Indiana Fund

(BIF). This would occur as the reduction of surplus Lottery revenue distributed to the BIF would be replaced (under the current funding formula for BIF) with Riverboat Wagering Tax revenue. The table below presents projected distributions of surplus Lottery and Gaming revenue in FY 2006 given the Lottery transfer proposed in the bill.

*Background:* The bill provides a \$250 per semester, \$2,000 lifetime, scholarship to an undergraduate student attending an Indiana college, provided the student has been an Indiana resident for at least 2 consecutive years before attending the Indiana college. Based on 2002-2003 data from the Higher Education Commission, it is estimated that about 127,168 Indiana residents are enrolled full-time at universities. The estimated amount to be distributed annually is about \$63.6 M ( $127,168 \text{ eligible individuals} * \$250 \text{ per semester} * 2 \text{ semesters}$ ).

Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the TRF and the PRF. Once these transfers are made, the remaining surplus Lottery revenue is distributed to BIF. Under the bill, an additional \$63.6 M would be transferred from the Administrative Trust Fund to the SSACI before the distribution to BIF. Assuming \$165 M in surplus Lottery revenue, \$63.6 M is projected to be available in FY 2006 for the proposed transfer to the SSACI. However, this transfer would reduce the projected distribution to BIF by \$63.6 M each year (from \$105 M to \$41.4 M).

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. The total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at \$250 M. This is because the annual distribution of Riverboat Wagering Tax revenue is limited to an amount equal to \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year. The required amount of Riverboat Wagering Tax is transferred to BIF from the Property Tax Replacement Fund at the end of the fiscal year. Under this formula, a \$63.6 M reduction in the annual distribution of surplus Lottery revenue to BIF will result in a \$63.6 M increase in the transfer of Riverboat Wagering Tax revenue to BIF from the PTRF (assuming the projected totals for other gaming and pari-mutuel taxes). The table below contains actual and projected BIF revenue and spending totals for FY 2003 to FY 2006, including the proposed Lottery transfer.

**Surplus Lottery and Gaming Revenue & Distributions (Millions)\***

<b>Revenues &amp; Distributions</b>	<b>FY 2003 (Actual)</b>	<b>FY 2004 (Actual)</b>	<b>FY 2005 (Projected)</b>	<b>FY 2006 (Projected)</b>
Beginning Balance in BIF	24.5	(0.9)	6.3	0.0
Surplus Lottery Revenue in Adm. Trust Fund	168.7	198.5	165.0	165.0
TRF Transfer	(30.0)	(30.0)	(30.0)	(30.0)
PRF Transfer	(30.0)	(30.0)	(30.0)	(30.0)
<b>Proposed Scholarship Transfer</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(63.6)</b>
Surplus Lottery Revenue to BIF	108.7	138.5	105.0	41.4
Surplus Gaming Revenue to BIF	141.3	111.4	145.0	208.6
Interest	0.9	0.0	0.0	0.0
Transfers to BIF**	134.9	0.0	0.0	0.0
Total Resources in BIF^	410.3	249.1	256.3	250.0
MVETRA Transfer	(236.2)	(236.2)	(236.2)	(236.2)
PTRF Transfer^*	(175.0)	0.0	0.0	0.0
Total Transfers	(411.2)	(236.2)	(236.2)	(236.2)
Amount Available for State & Local Capital Projects	0.0	12.9	20.1	13.8
Amount Allotted to State & Local Capital Projects^^	0.0	6.6		

\*Updated 9/24/04.

\*\*Transfers into BIF totaling \$131.8 M from the state General Fund for Motor Vehicle Excise Tax Replacement; \$3.0 M from the State Fair; and \$100,000 from loan repayments.

^FY 2004 individual resources do not sum to the total resources amount due to rounding.

^\*Transfer required under 2001-03 Biennial Budget (P.L. 291-2001).

^^Actual totals in FY 2003 and FY 2004.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Student Assistance Commission.

**Local Agencies Affected:**

**Information Sources:** Bob Lain, State Budget Agency, (317) 232-3471, Higher Education Commission.

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.